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C O N F I D E N T I A L SECTION 01 OF 02 HONG KONG 000615

SIPDIS

STATE FOR EAP/CM

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TAGS: [ETRD](#) [ETTC](#) [EWWT](#) [PARM](#) [PREL](#) [PTER](#) [HK](#)
SUBJECT: SECURE FREIGHT INITIATIVE IN HONG KONG

REF: A. SECSTATE 28824
[1](#)B. HONG KONG 333

Classified By: Consul General Joseph Donovan, reasons 1.4 b/d.

[1](#)1. (U) Post appreciates Ref A instructions and seeks additional guidance. See paragraphs 2-3 for action request.

[1](#)2. (SBU) Action Request. Post requests Washington guidance on the following questions:

--Ref A instructs Post to provide the information in the non-paper to the Hong Kong SAR government (HKSARG) "and industry partners." Modern Terminals, to date, is our only SFI industry partner, though other terminal operators have expressed interest in the program. We recommend that we provide the paper only to Modern Terminals. Please confirm.

--During every round of bilateral SFI negotiations in 2007 and 2008 between the USG and HKSARG, Hong Kong Trade and Industry Department (HKTID) officials requested information on the trade facilitation value of SFI participation, i.e., how did Hong Kong shippers, exporters or terminal operators benefit from participation. Additionally, HKTID Deputy Director General Vivian Lau raised the lack of verifiable trade facilitation benefits during a February 19, 2009 meeting with a visiting U.S. Senate STAFFDEL (reftel B). We expect HKTID to raise this issue during our discussion of a six month extension. How should we respond to the HKG's concerns regarding trade facilitation benefits?

--HKTID is keenly following SFI developments in ports around the world and the statements of foreign governments, international organizations and DHS officials regarding the viability of 100% scanning of containers. During the February 19 meeting with the U.S. Senate STAFFDEL (reftel B), HKTID's Vivian Lau stated that international consensus was growing that 100% scanning would not be achievable or sustainable. We expect HKTID to raise this issue during our discussion of a six month extension of the pilot program. How should we respond?

[1](#)3. (U) Action Request, continued. Post noted some errors in the reftel A version of the non-paper. To ensure clarity, Post requests Washington agencies review and approve Post's corrected version of the non-paper prior to distribution to HKSARG and industry partner.

NON-PAPER ON SECURE FREIGHT INITIATIVE

FUTURE OF SFI IN GENERAL

The U.S. Government (USG) supports the general goal of expanding scanning abroad and has learned some significant

lessons from current operations in Hong Kong and other locations. As expected, these Secure Freight Initiative (SFI) pilots have presented numerous challenges (financial, logistical, diplomatic, and technical) that the USG is working to address. The USG is finalizing an expansion plan for future SFI deployments with the goal of maximizing security benefits while minimizing disruptions to foreign port operations and the global supply chain. The USG is committed to working closely with the trade community, industry, and foreign partners once the details of this strategy have been finalized.

SFI AT MODERN TERMINALS LTD. IN HONG KONG

Extending the pilot in Hong Kong for at least an additional six months will allow CBP to continue testing the feasibility of integrated scanning and offer opportunities to address past technical challenges, most notably systems performance. Additional time for testing will provide the USG access to invaluable data needed to resolve current and future technical challenges found at high-volume, transshipment ports such as Hong Kong and further assess the feasibility of 100% scanning at such ports.

CBP has made a large investment to meet its commitment and ensure that the SFI systems deployed in Hong Kong perform consistently and with minimal impact to port operations. Regrettably, the time required to achieve this standard took longer than anticipated as necessary equipment modifications were not finalized until February 2009. The total USG investment in Hong Kong is estimated at USD 4.5 million.

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During bilateral discussions on April 25, 2008 between the USG and Hong Kong Special Administrative Region Government (HKSARG) concerning cooperation under SFI, it was mutually agreed that the scanning systems in use were in need of upgrading.

In September 2008, Customs and Border Protections (CBP) purchased the Integrated Container Inspection System (ICIS) from Science Application International Corporation (SAIC) for USD 1.2M with upgrades to allow for more accurate data collection and reduce system downtime.

Upgrades included exchanging the Vehicle and Cargo Inspection System (VACIS) source, upgrading internal and external systems components, and conversion to a fiber optic data-line with a greater capacity to manage and transmit larger data files produced by the system. These upgrades were completed in February 2009.

The Implementing Recommendations of the 9/11 Commission Act ("9/11 Act") of August 2007 mandate that a container loaded on a vessel in a foreign port shall not enter the United States unless that container is scanned by Non Intrusive Inspection (NII) and radiation detection equipment before loading onto the vessel.

CBP will be responsive to the legislative requirements of the 9-11 Act. Ending scanning operations in Hong Kong would pose a substantial setback towards identifying possible solutions to the complex challenges of scanning containerized cargo in transshipment and high-volume ports as well as meeting the legislative requirements.

End non-paper.

14. (C) Ref A requested Post's feedback on alternative options. We provide it below:

--USG PARTNERS DIRECTLY WITH THE TERMINAL OPERATOR: Post does not believe that the HKSARG would enthusiastically embrace this option. The HKSARG may/may be willing to allow

Modern Terminals Ltd. to continue to scan and send data directly to CBP. However, resolving alarms remains a key component to the SFI program. We believe that the HKSARG, citing lack of legal authority, would not allow U.S. CBP officers working with Modern Terminals Ltd. to adjudicate alarms. The HKSARG's unspoken concerns may also include how Beijing would react to U.S. law enforcement officials carrying out actions in Hong Kong's territory. Reftel A states that this option would revert back to the original setup prior to concluding agreements with the Hong Kong Government. However, Post notes that prior to concluding the SFI agreement, the ICIS equipment was not calibrated and alarms were ignored.

--REMOVE ALL ICIS EQUIPMENT: Post does not have feedback on this option at this time.
DONOVAN